

# FISCAL NOTE

**Bill #:** SB 3

**Title:** School BASE budget -- reduce direct aid  
-- increase guaranteed tax base aid

**Primary  
Sponsor:** Tom Zook

**Status:** As Introduced

Sponsor signature \_\_\_\_\_ Date \_\_\_\_\_

Chuck Swysgood, Budget Director \_\_\_\_\_ Date \_\_\_\_\_

## Fiscal Summary

	<b><u>FY2003 Difference</u></b>	<b><u>FY2004 Difference</u></b>	<b><u>FY2005 Difference</u></b>
<b>Expenditures:</b>			
General Fund	(\$1,151,257)	(\$1,129,230)	(\$1,110,979)
<b>Net Impact on General Fund Balance:</b>	(\$1,151,257)	(\$1,129,230)	(\$1,110,979)

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact	X		Technical Concerns
X		Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

## Fiscal Analysis

### ASSUMPTIONS:

1. The Average Number Belonging (ANB) in K-12 public schools will be:

	<b><u>FY03</u></b>	<b><u>FY04</u></b>	<b><u>FY05</u></b>
Elementary (K-6) students	76,051	73,474	71,866
7-8 grade	25,082	25,440	25,208
High School	50,366	49,890	48,970
Total	151,499	148,804	146,044

(continued)

2. In FY03 and beyond, the basic and per-ANB entitlements will be:
 

Basic entitlement Elementary	\$19,244
Basic entitlement High School	\$213,819
Per-ANB entitlement Elementary	\$3,906
Per-ANB entitlement High School	\$5,205
3. SB 3 lowers the direct state aid percentage from 44.7% to 44.4% of the basic and per-ANB entitlements.
4. SB 3 does not affect other state education appropriations.
5. Lowering the direct state aid percentage will have no effect on the overall level of school district BASE budgets, but will reduce the state share of the basic and per-ANB entitlements of school district BASE budgets and increase the local share.
6. The statewide taxable valuation in FY03 will be \$1.727 billion.
7. Under current law, direct state aid will be \$322.754 million in FY03, \$318.290 million in FY04, and \$313.059 million in FY05. Guaranteed tax base aid paid to schools will be \$98.122 million in FY03, \$97.059 million in FY04, and \$95.189 million in FY05.
8. Under SB 3, direct state aid will be \$320.588 million in FY03, \$316.154 million in FY04, and \$310.958 million in FY05. Guaranteed tax base aid paid to schools will be \$99.137 million in FY03, \$98.066 million in FY04, and \$96.179 million in FY05.

FISCAL IMPACT:

	<u>FY2003</u> <u>Difference</u>	<u>FY2004</u> <u>Difference</u>	<u>FY2005</u> <u>Difference</u>
<u>Expenditures:</u>			
Local Assistance	(1,151,257)	(1,129,230)	(1,110,979)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	(1,151,257)	(1,129,230)	(1,110,979)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

With the exception of a handful of school districts that have enough non-levy revenue so as not to need to levy mills to fund the BASE budget, local property taxes in a school district will increase by the same amount that state revenues are decreased. No vote will be required for this property tax increase. On average the increase in local mills will be approximately  $\frac{3}{4}$  of a mill and will be ongoing.

TECHNICAL NOTES:

1. The following deadlines will need to be extended in order for school trustees and county superintendents to respond to the funding changes proposed in SB 3:
  - 20-3-209 and 20-9-134, MCA require county superintendents to report to the Superintendent of Public Instruction the final budget of each school district in the county and financial activities (revenues and expenditures) for the preceding school year. These reports are due to OPI by the second Monday in September. OPI has delayed the release of the report forms to school districts in anticipation that the special session will result in changes to the FY03 state payments to schools.
  - 20-9-131 thru 20-9-133, MCA require school trustees to adopt the final budget of a district by the 4<sup>th</sup> Monday in August.